

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Report of the Chief Investment Officer

ITEM NUMBER: 11

ATTACHMENT(S): 3

ACTION: _____

DATE OF MEETING: July 12, 2000

INFORMATION: X

PRESENTER(S): Patrick Mitchell

The following is a summary of the developments in the financial markets that have occurred between June 1, 2000 and June 26, 2000.

1. The yield on the 30-year U.S. Treasury bond has increased from 6.01% to 6.04%.
2. The market level of the S&P 500 Index has increased from 1421 to 1441.
3. The U.S. dollar has been unchanged compared to the euro (at .95) and pound sterling (at 1.50), and weakening compared to the yen (1.08 to 1.05).
4. The Federal Reserve Board of Governors will hold their next scheduled FMOc meeting on June 28, 2000. The Federal Reserve is expected to hold the targeted Federal Funds rate steady at 6.50%.

California State Teachers' Retirement System
Investment Summary
For the Period ended May 31, 2000

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Investment Summary - Market Value (amounts in millions)													
Asset		This Month		One Year Ago		Three Years Ago		Five Years Ago					
Domestic Equity		\$	47,594	43.0%	\$	44,744	45.6%	\$	23,859	34.4%	\$	17,824	33.7%
International Equity			28,286	25.5%		21,798	22.2%		13,416	19.3%		5,954	11.3%
Fixed Income			26,523	23.9%		25,344	25.8%		25,123	36.2%		22,175	41.9%
Global Asset Allocators			N/A	N/A		1,053	1.1%		2,624	3.8%		1,780	3.4%
Private Equity			7,702	7.0%		4,600	4.7%		3,171	4.6%		2,167	4.1%
Liquidity			677	0.6%		678	0.7%		1,205	1.7%		3,004	5.7%
Total Market Value		\$	110,782	100.0%	\$	98,217	100.0%	\$	69,398	100.0%	\$	52,904	100.0%

Performance Returns for Major Asset Categories						
Asset	Month	Fiscal YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity	-3.95	9.96	13.62	23.20	23.60	18.06
Int'l Equity	-5.43	16.40	17.97	13.86	12.47	N/A
Fixed Income	-0.70	2.00	-0.38	7.00	7.74	9.12
Real Estate	N/A	N/A	11.29	17.07	14.79	6.15
Alternative Investments	N/A	N/A	67.52	36.16	34.71	21.42
Liquidity	0.52	5.08	6.03	6.04	6.04	5.82
Total Fund	-3.23	10.70	12.36	16.51	15.56	13.13
Indices						
Domestic Equity Custom	-3.52	9.52	12.87	23.53	24.40	18.41
MSCI AC ex US	-5.58	16.25	15.88	13.09	10.36	9.16
Salomon LPF	-0.69	2.12	-0.14	6.54	7.40	9.01
Real Estate Custom	N/A	N/A	10.80	13.12	11.34	5.79
T-Bill	0.47	4.31	5.09	5.05	5.19	4.97
Consumer Price Index	0.83	3.82	3.82	2.51	2.58	2.96
Wilshire 5000	-5.21	8.69	11.81	23.33	23.87	18.16
Russell 3000	-3.52	9.52	12.87	23.54	24.35	18.49
MSCI EAFE	-5.26	15.57	13.89	14.04	10.36	8.88
LB Gov / Corp	-0.49	2.30	0.93	6.09	6.73	8.11

	Current Month	Past 12 Months
Cash Inflow:		
Contributions & misc receipts	\$ 417.9	\$ 3,983.9
Less: Benefits & misc. payments	\$ (78.0)	\$ (3,441.4)
Investment Income	\$ 198.3	\$ 3,002.4
Total Cash Inflow	\$ 538.2	\$ 3,544.9
Cash Allocation:		
Domestic Equity	\$ 42.2	\$ (2,255.0)
International Equity	\$ 2.0	\$ 1,206.5
Fixed Income	\$ 303.0	\$ 2,892.3
Global Asset Allocators	\$ -	\$ (66.0)
Private Equity	\$ 223.1	\$ 1,844.3
Liquidity	\$ (32.0)	\$ (77.2)
Total Cash Allocation	\$ 538.2	\$ 3,544.9

California State Teachers' Retirement System
Investment Structure
For the period ended May 31, 2000

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<i>Asset Allocation Percentage</i>				
Assets	Actual	Target	Difference	Range
Public Equity	65.3%	63.0%	2.3%	57 - 69
Public Fixed Income	24.6%	27.0%	(2.4%)	23 - 32
Private Equity	10.1%	10.0%	0.1%	8 - 12
Total Investment Assets	100.0%	100.0%		
<i>Which can be compared to the strategic targets</i>				
Active - Domestic Equity	8.1%	7.6%	0.5%	6 - 9
Passive - Domestic Equity	34.9%	30.4%	4.5%	29 - 41
Allocated Not Funded	-3.2%	0.0%	(3.2%)	
TOTAL DOMESTIC EQUITY	39.8%	38.0%	1.8%	35 - 41
Active - International Equity	10.7%	12.5%	(1.8%)	11 - 14
Passive - International Equity	14.8%	12.5%	2.3%	11 - 14
TOTAL NON-US EQUITY	25.5%	25.0%	0.5%	22 - 28
TOTAL PUBLIC EQUITY	65.3%	63.0%	2.3%	57 - 69
<i>Real Estate</i>	2.9%	5.0%	(2.1%)	
<i>Alternative Investments</i>	4.0%	5.0%	(1.0%)	
Allocated Not Funded	3.2%	0.0%	3.2%	
TOTAL PRIVATE EQUITY	10.1%	10.0%	0.1%	8 - 12
Passive - Domestic Fixed Income	23.1%	26.0%	(2.9%)	23 - 29
Active - Other Fixed Income	0.9%	0.0%	0.9%	
TOTAL FIXED INCOME	23.9%	26.0%	(2.1%)	23 - 29
Liquidity	0.6%	1.0%	(0.4%)	0 - 3
TOTAL FIXED & LIQUIDITY	24.6%	27.0%	(2.4%)	23 - 32
TOTAL INVESTMENT ASSETS	100.0%	100.0%		

California State Teachers' Retirement System
Off Balance Sheet Transactions
For the period ended May 31, 2000

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<i>Currency Hedging - Market Value (amounts in millions)</i>					
Managers	Pacific Basin		European		Total
Active International	\$3,819.89	-2.6%	\$ 7,100.15	0.0%	\$10,920.04 -0.9%
Passive International	\$4,159.04	-39.1%	\$ 9,068.42	0.0%	\$13,227.46 -12.3%
* Does not include emerging market securities, Canadian stocks, cash or accruals.					

<i>Currency Realized Gains/(Losses) (amounts in millions)</i>			
Managers	Currency Realized Gains/(Losses)		
	1 Month	1 Year	Since Inception
Active International	(\$1.34)	(\$26.90)	\$73.47
Passive International	\$7.11	(\$30.86)	\$371.38

<i>Securities Lending Income</i>			
Asset	Current Fiscal Year		Prior Fiscal Year
	7/99 - 05/00	vs.	7/98 - 05/99
Domestic Equity	\$11,634,608		\$11,035,615
International Equity	\$25,719,433		\$29,585,891
US Treasury	\$12,531,980		\$15,878,726
Other Fixed Income Securities	\$670,497		\$1,505,741
Total Income	<u>\$50,556,518</u>		<u>\$58,005,973</u>

<i>Securities Lending (On-Loan/Collateral Summary)</i>			
Asset	Securities On-Loan	Collateral Valuation	Percent
Domestic Equity	\$3,135,576,673	\$3,252,745,107	104%
International Equity	\$6,615,430,862	\$6,974,409,750	105%
US Treasury	\$6,825,925,206	\$6,973,237,805	102%
Other Fixed Income Securities	\$182,347,555	\$186,681,070	102%
Total Value	<u>\$16,759,280,296</u>	<u>\$17,387,073,732</u>	104%

California State Teachers' Retirement System

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Monthly Investment Summary

	Market Value		Market Value		Market Value	
	04/30/2000	Market %	05/31/2000	Market %	Difference	% Diff.
<i>Liquidity</i>						
Cash Allocation	531,737,500		669,428,080		137,690,580	
US Cash Equitization	144,241,372		141,324,636		(2,916,736)	
Total Liquidity	675,978,872	0.61%	810,752,716	0.75%	134,773,844	0.14%
<i>Domestic Equity</i>						
Active						
Ariel Capital	284,229,472		305,510,184		21,280,712	
Bank of America	518,302,911		505,316,170		(12,986,741)	
BGI - Enhanced	536,026,349		722,849,806		186,823,457	
Brinson Partners	509,192,466		522,068,520		12,876,054	
Brown Capital Management	485,220,037		463,811,670		(21,408,367)	
Delaware Investment Adv	402,283,398		418,553,157		16,269,758	
Delphi Management, Inc	179,418,073		180,190,834		772,760	
Denver Investment Advisors	805,138,831		729,853,848		(75,284,983)	
DSI International Management	747,540,004		803,723,513		56,183,509	
First Quadrant	497,345,390		484,466,557		(12,878,834)	
Mellon Capital Management	667,843,013		654,815,690		(13,027,324)	
NCM Capital Management	734,909,117		697,587,966		(37,321,152)	
Putnam Investments	626,041,876		580,510,493		(45,531,382)	
Sasco Capital	571,709,625		592,326,218		20,616,592	
SSgA - Enhanced	737,653,732		793,881,880		56,228,148	
TCW Asset Manangement Co	618,545,471		551,863,897		(66,681,575)	
Passive						
BGI Extended Market Index	6,655,346,328		6,177,803,904		(477,542,424)	
BGI S&P 500 Index	17,089,174,229		15,962,049,487		(1,127,124,742)	
STRS S&P 500 Index	14,925,814,468		14,686,661,174		(239,153,294)	
Transition						
STRS Domestic	1		96,512,000		96,511,999	
Total Domestic Equity	47,591,734,795	42.96%	45,930,356,968	42.28%	(1,661,377,827)	(0.68%)
<i>International Equity</i>						
Active						
Bank of Ireland Asset Management	1,061,681,887		1,054,179,075		(7,502,812)	
Battery March Financial Mgmt Inc.	431,128,674		518,307,333		87,178,658	
Blackrock, Inc.	208,563,219		291,669,148		83,105,929	
Brinson Partners Non-USEQ	504,848,024		495,456,148		(9,391,876)	
Capital Guardian Trust	1,752,379,844		1,662,431,345		(89,948,499)	
Delaware Int'l Advisors Inc.	314,979,618		317,681,524		2,701,906	
Fidelity Management Co.	387,992,429		482,565,700		94,573,271	
Fiduciary Trust	880,197,712		816,362,005		(63,835,707)	
Lazard Freres	967,435,472		953,843,605		(13,591,867)	
Marvin & Palmer Assoc, Inc.	525,196,384		578,585,898		53,389,514	

California State Teachers' Retirement System

Attachment 2

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Monthly Investment Summary

	Market Value		Market Value		Market Value	
	04/30/2000	Market %	05/31/2000	Market %	Difference	% Diff.
Morgan Stanley	918,968,641		903,215,206		(15,753,435)	
Newport Pacific Mgmt	396,985,912		354,882,031		(42,103,881)	
Nicholas-Applegate Capital Mgmt	559,475,701		624,589,941		65,114,240	
Oechsle International	1,267,373,254		1,267,013,297		(359,957)	
Schroder Capital	726,010,609		694,167,734		(31,842,875)	
Scudder, Stevens & Clark	996,541,005		958,878,261		(37,662,745)	
Passive						
BGI - Europe	9,573,933,920		9,431,733,617		(142,200,303)	
BGI - Pacific	5,018,465,432		4,263,187,327		(755,278,105)	
SSgA Emerging Market Index	1,793,380,170		1,710,724,708		(82,655,463)	
Transition						
STRS International	181,536		184,585		3,048	
Total International Equity	28,285,719,446	25.53%	27,379,658,487	25.20%	(906,060,959)	(0.33%)
Fixed Income						
Corporate Bond Index	7,888,520,331		7,705,561,081		(182,959,250)	
Mortgage Backed Security Index	8,180,356,811		8,127,979,154		(52,377,657)	
Mortgage Loan	454,867,660		456,708,985		1,841,325	
US Treasury & Agency Index	9,999,152,939		10,413,504,864		414,351,924	
Total Fixed Income	26,522,897,741	23.94%	26,703,754,083	24.58%	180,856,342	0.64%
Real Estate						
CB Richard Ellis	1,181,099,731		1,182,087,243		987,512	
Clarion Partners, LLC	148,279,338		149,798,603		1,519,265	
Heitman Capital Management	80,837,483		127,513,266		46,675,783	
Lend Lease	938,842,652		939,741,455		898,803	
MIG Realty Advisors	188,793,957		188,947,006		153,049	
Sentinel Realty Advisors	17,622,511		17,634,953		12,442	
Special Situations	390,613,594		389,806,269		(807,325)	
SSR Realty Advisors	289,010,508		306,726,815		17,716,307	
Total Real Estate	3,235,099,773	2.92%	3,302,255,611	3.04%	67,155,838	0.12%
Alternative Investments						
Limited Partnerships	4,470,070,303		4,512,641,185		42,570,882	
Total Alternative Investments	4,470,070,303	4.04%	4,512,641,185	4.15%	42,570,882	0.12%
Grand Total	<u>110,781,500,930</u>	100.00%	<u>108,639,419,050</u>	100.00%	<u>(2,142,081,880)</u>	

PLEASE NOTE:

All Figures Include Accruals

The Information contained in this report is UNAUDITED

Member Home Loan Securitization Principal Balance as of 05/31/2000 is \$123,354,239

The Internally Managed Cash Collateral Portfolio is NOT included above.

The Net Asset Value as of 5/31/2000 is \$2,784,413,130

California State Teachers' Retirement System
Internal S&P 500 Indexed Portfolio Performance

The California State Teachers' Retirement System's internal S&P 500 indexed portfolio (Portfolio) was \$14,686,661,174 as of May 31, 2000. The performance objective of the Portfolio is to closely track the return of the S&P 500 Index. Table 1 compares the portfolio's performance with the returns of the index. The portfolio's return for the past 12 months was 10.606% while the index return was 0.124% (12.4 basis points) lower at 10.482%.

Table 1: S&P 500 Performance

Period	Portfolio Total Return	Index Total Return	Variance
3/31/98 – 12/31/98	12.892	12.975	-0.083
12/31/98 – 12/31/99	21.111	20.987	+0.124
12/31/99 – 4/30/00	-2.790	-2.820	+0.030
1 Year	10.606	10.482	+0.124

Portfolio return calculated by State Street Bank Analytics.